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THE WALL STREET JOURNAL.

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Top Deal Makers: The Corporate Investor

Denis Champenois rejects the zero-sum model

By Kimberley A. Strassel

Updated June 21, 1999 12:01 am ET

For start-ups, the dream is to one day compete with the big boys -- unless, of course, a tech giant is handing out development funds.

Meet Denis Champenois, old-guard emissary. The 44-year-old head of Innovacom SA, the venture-capital arm of France Telecom SA, has been redefining the competitive relationship between those with hot potential and those with something to protect. Under his watch, Innovacom is guiding young companies through the shoals of finance, management and marketing, while opening the French telephone giant up to new partnerships and business opportunities.

"It's win-win," says Mr. Champenois. "Start-ups access money and expertise, while France Telecom has priority access to new technologies."

France Telecom isn't the only one recognizing the benefits of such ties. First it was U.S. tech companies, such as Intel Corp., that came sniffing around Europe for good investments. Then European giants like Siemens AG, Deutsche Telekom AG and Telecom Italia SpA set up finance arms for that purpose: They now vie with Europe's finest venture capitalists for new investments.

• Other Leading Corporate Investors

Within this new field of corporate capital, Mr. Champenois -- who spent 10 years inside France Telecom and another five as an investment manager at a bank -- has been one of the most aggressive players. With nearly 100 companies in its portfolio and 200 million euros under investment, Innovacom has backed such European names as e-commerce software firm Intershop Communications AG, business software developer Business Objects SA, and smart-card developer Gemplus SA.

But Mr. Champenois has also turned the Intel model on its head, breaking out of Europe and relentlessly pursuing U.S. start-ups. At present, he has 15 U.S. Internet firms in his portfolio -- the kind of investments that have given France Telecom a competitive edge. In 1996, for instance, Mr. Champenois invested in Four11 Corp., a U.S. firm (since snapped up by Yahoo! Inc.) that creates Internet directories. France Telecom quickly translated the start-up's software into French and became the first European phone company to offer clients online white-pages listings. And thanks to its investment in e-Fusion Inc., a Beaverton, Oregon-based Internet telephony start-up, the French company will soon offer a cutting-edge product allowing users to surf and hold voice conversations over the same line.

Part of his task is to track how the investments help France Telecom. The "technical return," as he calls it, now stands at 30%, meaning nearly one-third of the portfolio has entered into agreement with France Telecom. His goal is to push that number to 50%. Past that point, he says, "I'd be thinking too much about France Telecom and not enough about my investments."

The financial return, meanwhile, has topped 90% annually. He expects this number to increase as backed companies go public or find buyers.

While many venture-capital companies have moved toward early-stage investing, Mr. Champenois has taken it to the extreme. He prefers to get involved in the "incubation period," of a firm -- investing an average of two million euros -- so he can influence business plans, technical questions and marketing strategies. "It allows us to do some shaping, rather than just worry," he explains.

Early backing can make a big difference. "It meant instant credibility," says Brent Hoberman, founder of Last Minute Network Ltd., a U.K. firm that sells online travel products. "We were two people with just a business plan -- no Web site, no products -- but we could still approach national airlines and say: 'Hey, France Telecom believes in us and we're not total charlatans.' "

Another benefit: the huge network of people that someone like Mr. Champenois knows, and the opportunities that brings. Innovacom runs a fund jointly with U.S.-based Newbridge Networks Corp. -- which helps to provide industry expertise and contacts. In addition, Mr. Champenois just set up what he calls the Innovacom Circle of Entrepreneurs: a pool of about 50 well-known European business leaders that can be tapped as potential board members, shareholders or simply advice-givers for young companies. "You need to know 500 people to be able to manage 20 investments a year," he says.

Recently, Mr. Champenois has been steering Innovacom down an entirely new path -- this time reshaping France Telecom. As the Internet gains in importance, the phone giant is encouraging its internal development teams to concentrate on new technologies in this field. As these products develop, Innovacom is helping France Telecom to spin off the ventures, funding them in the early stages. So far, the company has done six such deals.

"In many ways, big corporations are the only ones that can provide everything -- the funding, the partnerships and the expertise," says Mr. Champenois. "My big hope is that we see more of this in Europe soon."

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